

News from U.S. Rep. John Spratt (D-SC)

Assistant to the Democratic Leader

Ranking Member, Committee on the Budget

US House of Representatives – Washington, DC

www.house.gov/spratt | www.house.gov/budget_democrats

Thursday, September 25, 2003 – For Immediate Release

Contact: Chuck Fant, 202-225-5501

Spratt Backs Tobacco Buyout

WASHINGTON – U.S. Rep. John Spratt (D-SC) Wednesday joined his colleagues from the tobacco belt and introduced a bill to terminate tobacco quotas and allotments and compensate quota owners and growers.

The bill has been months in negotiation, as flue cured farmers worked out their differences with burley farmers, and tobacco manufacturers vied for provisions they want. The result is a compromise, which leaves some of the tobacco manufacturers still in opposition, but contains most of what flue cured farmers wanted.

“South Carolina tobacco farmers have been telling me for years that the quota system is out of date and obsolete,” said Spratt, “and quotas have not made American-grown tobacco compete with cheaper, imported tobacco.”

Spratt said tobacco state lawmakers have sought for years to fix the problem, knowing that without consensus, they could never sell the idea to Congress.

“With this bill, we are off to a good start, but everyone should understand, we have a long row to hoe before it is passed. Fortunately, the committee with jurisdiction is the Agriculture Committee, and the southeast has a strong presence on that committee,” he said.

The bill that Spratt is introducing, along with Rep. Jim Clyburn (D-SC) and others, is called the “Tobacco Reduction, Accountability, and Community Enhancement Act,” or TRACE for short. In introducing the bill, both Spratt and Clyburn stressed that it is not just about individual tobacco farmers, but very much about communities where tobacco is grown, like the Pee Dee region of South Carolina.

Spratt said the bill allows farmers who want to leave tobacco growing a way out, and gives those who want to continue growing tobacco a way to stay involved. The bill provides for permits to grow tobacco to be issued to farmers who actually grow it, and thus keeps tobacco growth in traditional areas, like the Pee Dee. The bill is funded through a user fee on tobacco products, and allows for stability in the tobacco market by maintaining price supports.

“Tobacco farmers in my district strongly support the TRACE Act,” said Spratt, “and I am pleased to be an original cosponsor. It’s an important first step to a quota buyout. But I emphasize again, we have a long way to go.”

The TRACE Act does not contain provisions dealing with tobacco regulation by the Federal Drug Administration (FDA), but another bill with FDA regulation is moving on another track in a different committee, and the two bills may converge before final passage.

“I understand the importance of the TRACE Act for South Carolina and will do my best to see that it moves swiftly,” Spratt said.

Summary

Tobacco Reduction, Accountability, and Community Enhancement Act

Current System:

- Current tobacco production program eliminated.
- Price supports eliminated.

Compensation and Assistance:

- Compensation based on average of 1997-2002 quota, \$8/lb for owners and \$4/lb for growers.
- Quota owners eligible July 1, 2002; Growers eligible for growing in 2000, 2001 or 2002.
- Acreage-based production converted on a farm-by-farm basis.
- Payments made in equal installments over seven years.

Tobacco Quality and Quantity:

- Tobacco Advisory Boards created for each kind of tobacco to create transparency in the market and discourage overproduction.
- Boards consist of 11 members: 5 producer representatives, 5 manufacturer representatives, and one Department of Agriculture representative.
- Boards recommend annual limits on pounds that could be produced, determine where those pounds could be produced, and track production of tobacco in the United States.
- Boards ensure that the tobacco used in domestically manufactured tobacco products is of the best possible quality.
- Legislation keeps tobacco production in traditional growing areas.

Market Stability:

- A privately funded price insurance system is created to ensure that if the domestic price of tobacco falls below a market-determined, insured price, producers get paid the difference. This will be a private insurance system,

paid for by a transaction fee assessed to both the producers and the manufacturers at the point of sale.

Tobacco Research Grants:

- Grants to assist traditional tobacco producers to diversify production, to find alternative uses for tobacco, or enhance tobacco quality are authorized.

Tobacco Product Regulation:

- This bill does not call for the U.S. Food and Drug Administration to have regulatory control over the manufacture, sale, distribution, and labeling of tobacco products, but a bill to this effect, offered by others, is moving through a different committee.

Cost:

- The Congressional Budget Office has not completed a cost assessment. Preliminary indications are that the CBO will score the bill as budget neutral.
- This proposal is funded through an assessment on tobacco manufacturers based on market share. The buyout will be paid for by an assessment on manufacturers, so the buy-out will not cost the American taxpayers and not increase the budget deficit.

#